

## Message Text

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ACTION EB-08

INFO OCT-01 AF-10 EUR-12 EA-10 ISO-00 AID-05 CIAE-00

COME-00 FRB-03 INR-10 NSAE-00 ICA-11 TRSE-00

XMB-02 OPIC-03 SP-02 LAB-04 SIL-01 OMB-01 INT-05

STR-07 NRC-05 DOE-15 SOE-02 OES-09 /126 W

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R 071025Z AUG 78

FM AMEMBASSY NIAMEY

TO SECSTATE WASHDC 1006

INFO AMEMBASSY ABIDJAN

AMEMBASSY BAMAKO

AMEMBASSY CANBERRA

AMEMBASSY LAGOS

AMEMBASSY LIBREVILLE

AMEMBASSY NDJAMENA

AMEMBASSY OTTAWA

AMEMBASSY OUAGADOUGOU

AMEMBASSY PARIS

AMEMBASSY PRETORIA

AMEMBASSY VIENNA

C O N F I D E N T I A L SECTION 1 OF 2 NIAMEY 3427

E.O. 11652: GDS

TAGS: EMIN, EARL, NG

SUBJECT: NIGER'S URANIUM SECTOR: WHERE THINGS STAND--JULY 1978

PART I (OF TWO) PRODUCTION PROSPECTS LOOK GOOD.

1. SUMMARY: NIGER'S URANIUM SECTOR, LED BY ITS FIRST, AND TO DATE ONLY PRODUCING MINE, ARLIT, WILL SOON BENEFIT FROM NEW MINE OPENINGS. ARLIT REMAINS THE IMPORTANT OUTPUT LEADER: 1977 PRODUCTION TOPPED 1450 METRIC TONS OF PROCESSED URANIUM AND IS FORECAST TO REACH 1600 TONS IN 1978 AND 2200 TONS IN 1980. NIGER'S SECOND MINE, AKOUTA, OPENED IN APRIL, 1978, HAS  
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EXPERIENCED TECHNICAL AND LABOR SETBACKS MAKING ANY 1978 PRODUCTION DOUBTFUL. A PROPOSED THIRD MINE, ARNI, HAS ENTERED ITS EXCAVATION PHASE AND HOPES TO BE PRODUCING BY 1982. THE FOURTH MINING CONCESSION, IMMORAREN, PLANS TO COMPLETE ITS FEASIBILITY STUDY BY JUNE 1979, BREAK GROUND IN EARLY 1980, AND PRODUCE "YELLOW CAKE" BY 1983. EMBASSY ESTIMATES THAT URANIUM PRODUCTION SHOULD INCREASE

SUBSTANTIALLY OVER NEXT FIVE YEARS, LEVELLING OFF AT APPROXIMATELY 8400 MT/YR BY 1984. MINING COMPANIES' KEY PROBLEMS OVER NEXT FIVE YEARS WILL BE LABOR SHORTAGES, PRESSURE TO NIGERIANIZE OPERATIONS, AND GROWING LOGISTICAL SUPPLY PROBLEMS FOR NIGER'S HARD TO REACH MINING REGIONS. END SUMMARY

2. NIGER'S FIRST URANIUM MINE, ARLIT, REMAINS THE KEY DRIVING FORCE IN NIGER'S NASCENT MINERAL SECTOR AND BUDDING ECONOMY. OPENED IN 1971 BY SOMAIR, A SIX-PARTNER CONSORTIUM REPRESENTING FOUR COUNTRIES (NIGER, FRANCE, WEST GERMANY AND ITALY), ARLIT HAS STEADILY INCREASED ITS PRODUCTION FROM 410 MT IN 1971 TO APPROXIMATELY 1450 MT IN 1977. SOMAIR PLANS TO PRODUCE 1600 MT IN 1978, 1800 MT IN 1979 AND ACHIEVE MAXIMUM OUTPUT OF 2200 MT BY 1980. IN ORDER TO REACH AN OUTPUT OF 2200 MT/YR, HOWEVER, PRESENT PROCESSING FACILITIES WILL HAVE TO BE EXPANDED. ARLIT'S REVENUES HAVE PROVIDED GON WITH INCOME TO INCREASE THE NATIONAL BUDGET NEARLY 200 PERCENT IN FOUR YEARS, TO GREATLY IMPROVE ITS BALANCE OF PAYMENTS POSITION, AND TO BOLSTER NIGER'S ATTRACTIVENESS TO WORLD FINANCIAL MARKETS.

3. NIGER'S SECOND MINE AND FIRST UNDERGROUND FACILITY, AKOUTA, IS OPERATED BY COMINAK, ANOTHER FOUR COUNTRY CONSORTIUM REPRESENTING NIGER, FRANCE, JAPAN AND SPAIN. OPENED IN APRIL 1978, AKOUTA HAS BEEN PLAGUED BY NAGGING

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SETBACKS: LABOR TURNOVER IS HIGH AS A RESULT OF UNPLEASANT UNDERGROUND CONDITIONS OF HIGH TEMPERATURES AND HUMIDITY UNFAMILIAR TO NIGERIAN LABORERS. FURTHER, COMINAK ENGINEERS HAVE EXPRESSED SURPRISE IN PRIVATE AT THE UNFORESEEN AMOUNTS OF WATER WHICH HAVE SLOWED MINING OPERATIONS IN THESE EARLY STAGES. FINALLY, PROCESSING PLANT OPERATIONS ABOVE GROUND HAVE ENCOUNTERED TEMPORARY DIFFICULTIES IN PRODUCING SULPHURIC ACID IN SUFFICIENT QUANTITIES TO PROCESS AVAILABLE ORE. GOVERNMENT ESTIMATES OF 600 MT FOR 1978 ARE PRIVATELY VIEWED AS OUT OF QUESTION; OUTPUT DURING 1978 WILL BE NEGLIGIBLE. DESPITE THESE INITIAL SETBACKS, HOWEVER, OUTPUT SHOULD REACH 1000 MT FOR 1979, 2200 BY 1981.

4. A PROPOSED THIRD MINE AND NIGER'S SECOND OPEN PIT VARIETY, ARNI, RECENTLY ENTERED ITS EXCAVATION STAGE AND SHOULD REACH EXPLOITABLE URANIUM ORE IN LATE 1981. OPERATED BY COGEMA (A SUBSIDIARY OF FRANCE'S COMMISSARIAT D'ENERGIE ATOMIQUE) AND JOINTLY OWNED WITH NIGER'S NATIONAL MINING CONCERN ONAREM, ARNI IS SCHEDULED TO PRODUCE 700 MT IN 1982 AND SOME 2000 MT/YR BY 1984. LOCATED ONLY 4 KM FROM ARLIT, IT SHOULD PROFIT FROM THE

EXTENSIVE LOGISTICAL BUILDUP THAT WAS NECESSARY IN  
CONSTRUCTING ARLIT AND AKOUTA.

5. DETAILED SEISMIC EXPLORATION AT IMMOURAREN, A CONCERN  
OWNED JOINTLY BY CONOCO (USA), COGEMA (FRANCE) AND  
ONAREM (NIGER), IS VIRTUALLY COMPLETED AND WILL SOON GIVE  
WAY TO A FULL SCALE FEASIBILITY STUDY BEGINNING OCTOBER,  
1978. COGEMA RECENTLY PRODUCED A FEASIBILITY EFFORT THAT,  
ACCORDING TO CONOCO SOURCES, WAS TOTALLY UNACCEPTABLE FOR  
A PROJECT OF THIS DIMENSION. IN A JUNE PARTNERS MEETING  
IN NIAMEY, IT WAS THUS AGREED THAT A MORE COMPLETE STUDY  
WOULD BE UNDERTAKEN BY COGEMA TO BE DELIVERED BY JUNE, 1979.

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XMB-02 OPIC-03 SP-02 LAB-04 SIL-01 OMB-01 INT-05  
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AMEMBASSY PRETORIA  
AMEMBASSY VIENNA

C O N F I D E N T I A L SECTION 2 OF 2 NIAMEY 3427

6. THE SENSITIVE QUESTION OF MINE OPERATORSHIP BETWEEN  
CONCOCO AND COGEMA REMAINS UNRESOLVED. BOTH COMPANIES VIEW  
ROLE OF OPERATOR AS IMPORTANT TO RELATIONS WITH GON AND  
CRITICAL TO CONTROL OF THE HOST OF INVESTMENT, ENGINEERING  
DECISIONS THAT WILL ARISE. CONOCO OFFICIALS HAVE  
PRIVATELY VOICED CONCERN OVER COGEMA'S LIMITED OPEN PIT  
MINING EXPERIENCE FOR MINES THIS SIZE. WITH PARTNER

ONAREM'S (AND THUS GON'S) VOTE THE DECIDING FACTOR,  
CONSIDERABLE EFFORT IS BEING EXPENDED ON BOTH SIDES TO  
PERSUADE UNDECIDED GON OFFICIALS WHICH WAY TO NOD. GON  
MEMBERS VISITED COGEMA INSTALLATIONS IN MAY AND HAVE  
ACCEPTED CONOCO'S INVITATION FOR A FIRST CLASS U.S.  
TOUR IN AUGUST. END CONFIDENTIAL  
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7. BEGIN UNCLASSIFIED: PRODUCTION PROSPECTS FOR THE NEXT  
FIVE YEARS PROMISE CONSIDERABLE INCOME TO NIGER'S SIMPLE  
ECONOMY. BASED UPON GON OFFICIAL FIGURES AND DISCUSSIONS  
WITH INFORMED SOURCES, THE EMBASSY HAS ESTIMATED THE  
FOLLOWING PRODUCTION FIGURES THROUGH 1984:

1978 - 1600 MT (ARLIT)  
1979 - 2800 MT (ARLIT 1800, AKOUTA 1000)  
1980 - 3700 MT (ARLIT 2200, AKOUTA 1500)  
CF1981 - 4400 MT (ARLIT 2200, AKOUTA 2200)  
1982 - 5100 MT (ARLIT 2200, AKOUTA 2200, ARNI 700)  
1983 - 6900 MT (ARLIT 2200, AKOUTA 2200, ARNI 1500,  
IMMOURAREN 1000)  
1984 - 8400 MT (ARLIT 2200, AKOUTA 2200, ARNI 2000,  
IMMOURAREN 2000)

BY 1984, THEN, THIS PRODUCTION COULD REPRESENT SOME  
\$13 BILLION IN REVENUE (GIVEN PRESENT URANIUM PRICE ESTI-  
MATESJC FOR AN ECONOMY THAT TODAY TOTALS LESS THAN DOLLARS  
ONE BILLION. END UNCLASSIFIED.

8. BEGIN CONFIDENTIAL: LABOR SHORTAGES (NOTABLY QUALIFIED NIGERIEN  
TECHNICIANS), "NIGERIENIZATION" OF WORK FORCE, AND LOGISTICAL  
SUPPLY BOTTLENECKS LOOM AS MINING COMPANIES' BIGGEST  
PROBLEMS OVER THE NEXT FIVE YEARS. NIGER'S PRESENT  
WORK FORCE HAS RESPONDED WELL TO CURRENT LABOR DEMANDS  
IN THE MINING SECTOR, BUT THE DRAMATIC INCREASE IN MANPOWER  
REQUIREMENTS FOR BOTH SKILLED AND SEMI-SKILLED PERSONS  
WILL STRAIN NIGER'S SMALL, POORLY TRAINED LABOR POOL.  
AKOUTA'S PRESENT LABOR PROBLEMS MAY WELL SUGGEST DIFFI-  
CULTIES ON THE HORIZON FOR BOTH ARNI AND IMMOURAREN. THESE  
TWO MINES ALONE WILL REQUIRED TRAINED LABOR FORCES  
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EXCEEDING 2500 PERSONS DURING NEXT TWO YEARS. WHILE  
ALLUSION TO ORGANIZED LABOR UNREST MAY BE PREMATURE,  
SUCH A POSSIBILITY MAY WELL SURFACE IN THE NEXT FIVE YEARS

AS LABOR SUPPLY CONSTRAINTS RESTRICT COMPANY OPTIONS AND  
LABOR ORGANIZATION GROWS.

9. THE GON'S INCREASING CONCERN FOR THE SLOW PACE OF  
"NIGERIENIZATION" MAY FURTHER COMPLICATE COMPANIES'  
SEARCH FOR QUALIFIED LABOR. MINISTER OF MINES MOUNKAILA  
AROUNA RECENTLY EMPHASIZED TO SOMAIR AT ITS 10TH  
ANNIVERSARY CELEBRATION THAT THE SNAIL-LIKE PACE OF  
REPLACING EXPATRIATES WITH NIGERIEN TECHNICIANS OVER PAST  
FIVE YEARS WAS STRIKING AND MUST BE ACCELERATED. AMERICAN  
MINING FIRMS FURTHER REPORT THAT THEIR HIRING PRACTICES  
ARE UNDER CONSTANT REVIEW BY INTERESTED GON OFFICIALS.

10. FINALLY, WHILE ROAD CONDITIONS WITHIN NIGER WILL  
IMPROVE WITH THE 1982 COMPLETION OF THE "URANIUM ROAD,"  
SERIOUS PORT CONGESTION IN BOTH COTONOU AND LOME, AND  
LIMITED CAPACITY OF THE COTONOU-PARAKOU RAIL LINK PROMISE  
TO INCREASE BOTH TRANSPORTATION DELAYS AND COSTS IN THE  
FORESEEABLE FUTURE. EFFECTIVE IMPROVEMENTS WILL REQUIRE  
MASSIVE INTERNATIONAL DEVELOPMENT ASSISTANCE AND REALISTIC  
RELIEF IS, AT BEST, A DECADE AWAY. JAMES

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## Message Attributes

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